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## **REMARKS**

Kindly enter this Preliminary Amendment before a first action on the merits. This application is a continuation of parent application 10/092,409. By this amendment, Applicant is canceling claims 9-12, 24-26, and 34-39 of the present application without prejudice or disclaimer and amending claims 1 and 20. The claims patentably distinguish over the references cited in the parent application and the application as presented is believed to be in condition for allowance.

In the parent case, Schneiderhan (5,067,088) was cited as a reference under 35 U.S.C. §102(b). Schneiderhan is directed to an apparatus and method for assembling mass mail items. Schneiderhan discloses a plurality of insert stacks, each of which contains one type of insert (Col. 3, lines 59-61). A transport mechanism collates one item from each insert stack and inserts the collated collection of inserts into an envelope (Col. 3, lines 61-64).

The subgroups recited in claim 1 are very different from the insert stacks disclosed in Schneiderhan. Claim 1 recites a step of "arranging the at least two subgroups such that items are in order within each of the at least two subgroups, wherein the at least two subgroups include a first subgroup and a second subgroup, and wherein at least one item in the first subgroup is of a same type as at least one item in the second subgroup." This is very different from the insert stacks of Schneiderhan because Schneiderhan discloses that each of the insert stacks includes a different type of item, such that one item from each insert stack is intended to go in the same envelope. By contrast, in claim 1, the same type of item is found in more than one subgroup, as claim 1 recites that "at least one item in the first subgroup is of a same type as at least one item in the second subgroup."

Thus, claim 1 patentably distinguishes over Schneiderhan. Claims 2-8 and 13-19 depend from claim 1 and are patentable over Schneiderhan for at least the same reasons.

Claim 20 is directed to an apparatus for collating items into at least one ordered group from at least two subgroups, wherein the at least two subgroups include a first subgroup and a second subgroup, and wherein at least one item in the first subgroup is of a same type as at least one item in the second subgroup. As should be clear from the discussion above, Schneiderhan does not disclose or suggest that at least one item in the first subgroup is of a same type as at least one item in the second subgroup. Thus, claim 20 patentably distinguishes over

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Schneiderhan. Claims 21-23 and 27-33 depend from claim 20 and are patentable over Schneiderhan for at least the same reasons.

In view of the foregoing amendments and remarks, the application should now be in condition for allowance. An early and favorable action is hereby earnestly solicited.

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Respectfully submitted,

Juan Esteban FLORES et al.

Randy J. Pritzker, Reg. 35,986.

Wolf, Greenfield & Sacks, P.C.

600 Atlantic Avenue

Boston, Massachusetts 02210-2211

Telephone: (617) 720-3500

Docket No. L0562.70016US01

Date: April 28, 2004